

**ADMINISTRATIVE-INTERNAL USE ONLY**

21 August 1984


MEMORANDUM FOR THE RECORD

SUBJECT: Premium Tax

1. On 26 July Mr. John Busco of the Office of Personnel Management's IG Staff called to provide me information on "premium tax." According to Mr. Busco, all states, Canada and Puerto Rico have instituted premium taxes on insurance policies of up to two percent. This tax is included in the premium paid by the policyholder and is paid to the state of residence of the policyholders, as income to the insurance company derived from a particular state. The unanswered question is are our policyholders overseas liable for the tax? If not, can a suitable (secure) means be developed to pay only that portion of the tax for which we are liable without giving out too much information on the number of policyholders overseas.

2. Mr. Busco also elaborated a little on "minimum premium" arrangements commenting specifically on Prudential and Metropolitan. The checking accounts are held in the Plan's name with drawing ability for the underwriter. It was his understanding that investments continued to be handled by the underwriter and not the plan, but he suggested that we might want to discuss this with Metropolitan or Prudential.

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Chief, Insurance Operations Division

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